

**STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769**

EXAMINATION REPORT

OF

CITY OF JONESBORO

GRANT COUNTY, INDIANA

January 1, 2006 to December 31, 2006



FILED
03/12/2007

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Phyllis Banks Karen Owen	01-01-04 to 10-29-06 11-21-06 to 12-31-07
Mayor	Terry Poling	01-01-04 to 12-31-07
President of the Board of Public Works	Terry Poling	01-01-04 to 12-31-07
President of the Common Council	David Jernigan Quinten Shipley	01-01-06 to 12-31-06 01-01-07 to 12-31-07
Superintendent of Utilities	Robert McNutt	01-01-06 to 12-31-07



STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE CITY OF JONESBORO, GRANT COUNTY, INDIANA

We have examined the financial information presented herein of the City of Jonesboro (City), for the period of January 1, 2006 to December 31, 2006. The City's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the City for the year ended December 31, 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not a required part of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information, and accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

February 26, 2007

CITY OF JONESBORO
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY AND FIDUCIARY FUND TYPES
As Of And For The Year Ended December 31, 2006

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 53,768	\$ 491,625	\$ 441,613	\$ 103,780
Motor Vehicle Highway	49,050	110,190	107,666	51,574
Local Road and Street	27,502	17,435	29,445	15,492
Police and Fire Grant	301	1,900	-	2,201
Law Enforcement Continuing Education	829	3,737	1,766	2,800
Levy Excess	-	8,566	-	8,566
Donation	200	6,760	5,177	1,783
Cumulative Capital Improvement	5,022	6,741	5,960	5,803
Cumulative Capital Development	18,837	9,273	22,455	5,655
Proprietary Funds:				
Water Utility - Operating	7,075	319,777	307,118	19,734
Water Utility - Bond and Interest	30,418	116,712	76,280	70,850
Water Utility - Depreciation	915	36,600	34,720	2,795
Water Utility - Customer Deposit	32,256	17,972	2,934	47,294
Water Utility - Meter Loan	9,437	11,900	20,278	1,059
Water Utility - Construction	37,789	14,374	52,163	-
Water Utility - Reserve	52,240	94,560	66,948	79,852
Wastewater Utility - Operating	50,205	437,645	425,434	62,416
Wastewater Utility - Bond and Interest	70,375	69,928	51,086	89,217
Wastewater Utility - Depreciation	11,318	12,000	10,343	12,975
Wastewater Utility - Construction	205,754	16,656	70,542	151,868
Wastewater Utility - Reserve	5,200	-	-	5,200
Fiduciary Fund:				
Payroll	(1,114)	312,531	311,568	(151)
Totals	<u>\$ 667,377</u>	<u>\$ 2,116,882</u>	<u>\$ 2,043,496</u>	<u>\$ 740,763</u>

The accompanying notes are an integral part of the schedule.

CITY OF JONESBORO
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The City was established under the laws of the State of Indiana. The City provides the following services: public safety, health and social services, culture and recreation, water, wastewater, and general administrative services.

Note 2. Fund Accounting

The City uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the City in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the City on or prior to December 31 of the year collected.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depositary Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes the City to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

CITY OF JONESBORO
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The City contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

CITY OF JONESBORO
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
December 31, 2006

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

General infrastructure assets will be reported as completed. Retroactive reporting of general infrastructure assets is not required.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 19,480
Buildings	324,435
Improvements other than buildings	16,552
Machinery and equipment	<u>407,480</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 767,947</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 12,000
Buildings	5,000
Improvements other than buildings	2,034,220
Machinery and equipment	<u>121,429</u>
Total Water Utility capital assets	<u>2,172,649</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	32,000
Construction in progress	290,925
Buildings	5,000
Improvements other than buildings	3,453,695
Machinery and equipment	<u>116,216</u>
Total Wastewater Utility capital assets	<u>3,897,836</u>
Total business-type activities capital assets	<u>\$ 6,070,485</u>

CITY OF JONESBORO
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
December 31, 2006

The City has entered into the following long-term debt:

Description of Asset	Ending Balance	Due Within One Year
Governmental Activities:		
Capital leases:		
Police car	\$ 11,725	\$ 5,656
Business-type Activities:		
Water Utility		
Loans payable	\$ 1,853,896	\$ 24,500
Wastewater Utility		
Note payable	425,000	425,000
Revenue bonds:		
Refunding bonds of 1995	310,000	-
Construction bonds of 2004	149,000	-
Total Wastewater Utility	884,000	425,000
Total business-type activities long-term debt:	\$ 2,737,896	\$ 449,500

CITY OF JONESBORO
EXAMINATION RESULTS AND COMMENTS

PENALTIES AND INTEREST

Penalties and interest totaling \$128 were paid to the Indiana Department Revenue for the late payment of August 2006 sales tax.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PAYROLL FUND

Financial records presented for audit were not reflective of the activity of the Payroll Fund. Payments for federal and state taxes and payment of net wages for December 2006 were not properly posted to the payroll fund. The payroll fund has a negative cash balance at year end.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

APPROPRIATIONS

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

<u>Fund</u>	<u>Excess Amount Expended</u>
Motor Vehicle Highway	\$ 8,530
Cumulative Capital Development	6,455

Indiana Code 6-1.1-18-4 states in part: "... the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

POLICE DEPARTMENT RECEIPTS AND FEES

Receipts and fees collected by the police department were not remitted timely to the clerk-treasurer. Amounts collected for gun permits and accident reports after June 2006 were not remitted until December 2006.

CITY OF JONESBORO
EXAMINATION RESULTS AND COMMENTS
(Continued)

Receipts and fees collected by a police department should be remitted to the clerk-treasurer or city controller at least once each week. (Cities and Towns Bulletin and Uniform Compliance Guidelines, September 2003)

HYDRANT RENTAL

The City did not pay the Water Utility hydrant rental of \$20,670 pursuant to Rate Ordinance 4-2005 passed by the Common Council on March 8, 2005.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CUSTOMER DEPOSIT REGISTER

The water utility customer cash deposit balance recorded in the general ledger was not reconciled to the detailed customer deposit register. Customer deposits applied to customer accounts after July 2006 were not transferred to the Water Utility Operating Fund. Additionally, customer deposits were added to the customer deposit register for the required deposit amount even though the full amount had not been collected. Some partial deposits collected were not included in the detailed customer deposit register.

At all times, the manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

DELINQUENT ACCOUNTS RECEIVABLE

Water and wastewater services not paid within 15 days after the due date are subject to a penalty. In the month of December 2006, penalties were not applied to delinquent accounts. A similar comment appeared in prior Audit Report B26887.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF JONESBORO
EXIT CONFERENCE

The contents of this report were discussed on February 26, 2007, with Terry Poling, Mayor; Karen Owen, Clerk-Treasurer; and Quinten Shipley, President of the Common Council. The officials concurred with our findings.